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T H E B E E F C A T T L E S I T U A T I O N  
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Summary

Prices of the better grades of slaughter cattle advanced sharply in August, and in the first half of September they reached the highest level in many years, the Bureau of Agricultural Economics reports. This advance was attributed largely to the marked shortage of grain-fed cattle in the slaughter supply. Prices of the lower grades of slaughter cattle declined in August, but strengthened slightly in early September.

It is expected that prices of well-finished cattle will be maintained at a relatively high level until increased supplies of grain-fed cattle become available next winter and spring, when it is probable that prices of such cattle will decline. Slaughter supplies of grain-fed cattle are now much smaller than they were a year ago, but an increase in cattle feeding is expected to occur this fall and winter, chiefly because of the improved feed grain situation this year and the relatively large profits obtained from cattle feeding operations during the past 6 months.

Little or no seasonal decline in prices of the lower grades of slaughter cattle is expected in the next few months because of the strong demand for stocker and feeder cattle anticipated during this period. Prices of the lower grades of slaughter cattle in the first half of 1938 are likely to be maintained near present levels or even may advance seasonally in that period.

Cattle marketings probably will continue to be fairly large in the remainder of 1937, except from areas where drought conditions during the past few years have greatly reduced numbers. Slaughter in this period is not likely to be so large as in the corresponding period of 1936, however. Shipments of cattle and calves from the 17 States in the western cattle area for the 5-month period from August to December probably will total about 5 percent less than such shipments a year earlier. Practically all of the reduction in such shipments this year is expected to occur in the Northern Great Plains States, where marketings in 1936 were unusually large because of drought.

With increased supplies and lower prices of feeds along with the present relatively high price of cattle, it is expected that the slaughter of cattle and calves in 1938 will be smaller than in 1937, with most of the decrease occurring in the first half of the year.

#### REVIEW OF RECENT DEVELOPMENTS

BACKGROUND .- Cattle prices recovered rapidly in 1934 and the early part of 1935 from the depression-low levels of 1933. Largely because of increased marketings of grain-fed cattle in the first half of 1936, prices of the better grades of slaughter cattle declined sharply in that period. With continued improvement in consumer purchasing power, however, prices of all grades of cattle advanced from midsummer 1936 to midsummer 1937. Strengthened by the scarcity of well-finished kinds, prices of the better grades of cattle in July 1937 reached the highest level since 1929.

Prices of grain-fed cattle advance further in August

In August, prices of choice and prime grade slaughter steers at Chicago averaged \$16.38 per 100 pounds. This price was nearly \$1 higher than that of July, and was the highest monthly average price for such steers at Chicago since November 1928. The top price paid for well-finished steers reached \$19.10 about mid-September, which was the second highest September price paid for cattle at Chicago on record. The marked shortage of grain-fed cattle in recent weeks has been largely responsible for the continued rise in prices of such kinds.

Prices of good grade slaughter steers advanced slightly in August, but prices of the medium and common declined seasonally with increased marketings of grass cattle. The price declines for the lower grades were moderate, however. Prices of slaughter cows averaged about the same in August as in July, although there was a tendency for prices of such animals to decline in the latter half of August. Prices of veal calves rose sharply in late July and early August, and prices of heifers also advanced in this period.

The spread between Chicago prices of Choice and Prime grade steers and Common grade steers in August was the widest in the 16 years of record, amounting to slightly more than \$8. In both July and August the average price of Choice and Prime grade steers was about the same as in the corresponding months of 1928. But in July and August 1928 the average price of Common grade steers was about \$11 compared with about \$8.25 in August this year. The relatively large number and proportion of the lower grades of cattle, especially cows, included in the slaughter supply as well as the marked scarcity of well-finished grain fed cattle probably accounts chiefly for the relatively wide spread between prices of upper and lower grades of slaughter cattle in recent months.

Although prices of stocker and feeder cattle usually reach the lowest level for the year in the late summer and fall because of increased supplies at that time, prices of such cattle advanced sharply in late July and early August, reflecting the improved feed crop prospects and the relatively high prices prevailing for slaughter cattle. Stocker and feeder steers at Kansas City averaged \$8.58 per 100 pounds in August compared with \$7.26 in January, and \$5.53 in August 1936.

Cattle slaughter shows seasonal increase

Slaughter supplies of cattle in August were seasonally larger than in July. The number of cattle slaughtered under Federal inspection in August, totaling 880,000 head, was 11 percent larger than a month earlier but 13 percent smaller than in August 1936 when many cattle were liquidated because of drought. The number of calves slaughtered under Federal inspection in August, totaling 538,000 head, was about 4 percent larger than a month earlier but slightly smaller than in August last year. Although slaughter supplies of both cattle and calves in August were smaller than those of a year earlier, they were considerably larger than the 1924-33 average for the month.

Rainfall needed in western Great Plains

Rain is still needed in many western parts of the country, particularly in the Western Great Plains from Kansas northward, according to recent reports. Ranges and pastures in most of the western cattle States have been better this year than last, however, and much better in the States that suffered most from the 1936 drought, except in restricted areas. Pastures are very poor in the Sand Hills area of Nebraska, and hay and feed supplies in this area will be smaller than in either of the drought years of 1934 and 1936. In general, cattle marketed from the western cattle States this fall are expected to be in very good condition.

Although the total corn crop this year is expected to be average, dry weather and hot winds in August resulted in rapid deterioration of the crop in much of Nebraska and South Dakota. The corn crop is largely a failure in western Nebraska.

Import quota for beef cattle filled in mid-August

Imports of beef cattle weighing 700 pounds and over in July and the first 2 weeks of August were more than four times larger than in the corresponding period of 1936. The annual quota of 155,799 head for imports of such cattle from all countries, subject to a duty of 2 cents per pound, was filled about August 12 or 13. In 1936 this quota was not filled until the end of November.

In the entire period from January through July Mexican cattle made up a slightly larger proportion of the imports within the quota this year than a year earlier. The large volume of imports in July and early August, however, consisted almost entirely of Canadian cattle. The necessity for moving cattle from western Canada because of the greatly reduced feed production resulting from the 1937 drought and the desire to get these cattle into the United States under the 2-cent duty was chiefly responsible for the relatively large imports in July and August.

The duty on beef cattle weighing 700 pounds and over was increased from 2 to 3 cents a pound effective August 12, subject to a rebate on the relatively small number of remaining quota cattle imported from that date. By August 14, more than 200 head of cattle had been imported in excess of the quota.

Imports of beef cattle weighing 700 pounds and over from Canada and Mexico for specified periods, 1936 and 1937

Period	Canada		Mexico		Total	
	1936		1937		1936	
	Number	Number	Number	Number	Number	Number
Jan.-June 1/.....	110,716	84,766	19,547	23,530	130,292	108,347
July 1-Aug.14 2/:	10,624	46,899	313	846	10,908	47,694
Total to Aug.14:	121,340	131,665	19,860	24,376	141,200	156,041

1/ From official records of the Bureau of Foreign and Domestic Commerce.

2/ Preliminary reports of the Customs Bureau.

## OUTLOOK

Prospects for supplies and prices of cattle during the remainder of 1937 and 1938 were given in the August issue of this report as follows:

(1) Fairly heavy marketings of both cattle and calves are probable for the remainder of 1937, except from areas where drought conditions during the past few years have greatly reduced cattle numbers. It is not likely, however, that slaughter in this period will be so large as that of the corresponding period of 1936.

(2) The proportion of grain-fed animals in the cattle slaughter supply during the remainder of 1937 will be much smaller than that of a year earlier. The number of cattle on feed for market in the Corn Belt States on August 1 was about 29 percent smaller than on August 1, 1936, and apparently was the smallest number on feed on that date in many years.

(3) Largely because of the improved feed situation, the favorable returns from cattle feeding operations in the past 6 months and the present high level of prices of slaughter cattle, a substantial increase in cattle feeding is expected to occur this fall and winter. Feeding operations in 1938 will be on a more nearly normal basis than in 1937. Cattle will be fed more grain and for longer periods. Marketings early in the year will include a large proportion of short-fed and warmed-up cattle, while those in the late spring and summer will include numerous long-fed steers. A tendency to hold back breeding stock and to rebuild herds in areas where numbers have been reduced by drought in recent years is likely to develop, and this will result in fewer cows, heifers, and heifer calves going to slaughter.

(4) Total slaughter of cattle and calves in 1938 is likely to be smaller than in 1937, with most of the decrease occurring in the first half of the year.

(5) Prices of well-finished slaughter cattle probably will be maintained near the present high level during the next few months, but are likely to decline more than seasonally in the first half of 1938. Little weakness in prices of the lower grades of slaughter cattle is indicated for the next few months, with some advance possible. Prices of such cattle also may continue relatively high in the first half of 1938.

(6) Although prices of feeder cattle this fall will be considerably higher than a year earlier, prices of corn and other feeds will be much lower. It is probable that the cost of finished cattle (feeder cattle and feed combined) in 1937-38 will be somewhat lower than in 1936-37. Prices of grain-fed slaughter cattle in the first half of 1938, however, are not expected to average as high as in the first half of 1937. Returns from cattle feeding in the spring and summer of 1938, therefore, are expected to be less favorable than in the corresponding period a year earlier.

Marketings of western cattle to be smaller this fall

Shipments of cattle and calves from the 17 States in the western cattle area during the 5 months from August to December will be about 5 percent smaller than shipments in the corresponding period of 1936, according to a recent report of this Bureau. The estimated numbers to be shipped, however, will be about 3 percent larger than in the corresponding period of 1935, and about 13 percent larger than the 1925-34 average.

Practically all of the reduction in shipments this year from last is expected to occur in the Northern Great Plains States, where marketings in 1936 were large because of drought. In other States, particularly Texas, Colorado and most of the States west of the Continental Divide, feed conditions were fairly good in 1936, and as a result of this and of the sharp reduction in cattle prices which occurred, there was a tendency to reduce marketings in that year. Shipments from these States this fall are expected to exceed those of a year earlier.

Because of the increased production and lower prices of feed grains in prospect for the Corn Belt this fall, it is probable that the demand for feeder cattle in that area will be greater than in 1936. Hence, it is expected that a larger proportion of cattle marketed from the western cattle States will be bought for finishing purposes, and the decrease in numbers of western cattle going for slaughter will be greater than the decrease in total shipments.

Demand for beef affected by small hog supplies

Ordinarily, changes in slaughter supplies of hogs do not have any important measurable effect on cattle prices. From 1935 to date, however, the extremely low level of hog slaughter compared with earlier years has increased the demand for and prices of slaughter cattle. The extent of the decrease in hog production is illustrated in the following table.

Number of hogs slaughtered under Federal inspection  
by hog marketing years, 1929-30 to 1936-37

Marketing year (Oct.- Sept.)	:	Number of hogs slaughtered
	:	Millions
1929-30 .....	:	45.5
1930-31 .....	:	43.6
1931-32 .....	:	46.7
1932-33 .....	:	47.1
1933-34 .....	:	43.9
1934-35 .....	:	30.7
1935-36 .....	:	31.0
1936-37 <u>1</u> / .....	:	34.0

Bureau of Animal Industry.

1/ Estimated.

Inspected hog slaughter decreased from an average of about 45 million head in the 5 years, 1929-30 to 1933-34, to about 31 million head in 1934-35 and 1935-36 largely as a result of drought. In the 1936-37 hog marketing year about 34 million head have been slaughtered. Hog slaughter during the 1937-38 marketing year, which begins October 1, will continue to be considerably smaller than that of the marketing years prior to 1934-35.

Because of the sharp reduction in hog slaughter supplies, consumption of pork and lard produced under Federal inspection in 1936, totaling 5,529 million pounds dressed weight, was about 24 percent smaller than in 1933. At the same time, consumption of beef and veal, totaling 5,962 million pounds was about 18 percent larger than in 1933. Although retail prices of pork increased relatively more than retail prices of beef from 1933 to 1936, estimated consumer expenditures for beef and veal in 1936 were about 56 percent larger than in 1933, while expenditures for pork and lard were about 37 percent larger.

If pork production had been on a more nearly normal basis in the past few years, it is probable that consumer expenditures for and prices of beef and veal would have increased from 1933 to 1936 by a considerably smaller amount than they did. Since hog slaughter is not expected to reach average proportions before 1940, even with normal corn crops in the intervening years, it is likely that the demand for beef in the next 2 years at least will be sustained at a level somewhat higher than that which would prevail if slaughter supplies of hogs were equal to average. ....

Price per 100 pounds of cattle and calves, August 1937 with  
comparisons

Classification	: Aug. : average : 1924-33	: Aug. : 1935	: Aug. : 1936	: June : 1937	: July : 1937	: Aug. : 1937
	: Dollars	: Dollars	: Dollars	: Dollars	: Dollars	: Dollars
Beef steers sold out of :						
first hands at Chicago-:						
Choice and Prime .....	11.75	11.98	9.11	13.59	15.47	16.38
Good .....	10.59	10.71	8.41	11.96	13.83	13.97
Medium ..	9.04	8.44	7.38	10.25	10.91	10.76
Common .....	7.20	6.67	6.08	8.56	8.40	8.23
All grades .	10.32	10.27	8.46	12.11	13.97	14.13
Cows, Chicago - :						
Good .....	<u>1/</u> 7.00	6.44	5.49	8.14	8.36	8.19
Low cutter and cutter:	<u>2/</u> 3.89	3.77	3.62	4.88	4.63	4.74
Vealers, Chicago - :						
Good and Choice .....	11.71	9.48	8.18	9.20	9.85	11.16
Stocker and feeder steers,						
Kansas City - :						
500-800 pounds, Good :						
and Choice .....	<u>3/</u>	7.62	6.02	8.10	8.34	8.68
800-1050 pounds, Good :						
and Choice.....	<u>3/</u>	7.75	6.15	8.75	9.23	9.91
Average price paid by :						
packers - :						
Cattle .....	7.57	6.50	5.85	8.26	8.17	
Calves .....	8.86	6.93	6.11	8.02	8.02	

1/ Good and Choice, 1924-27.

2/ Canner and cutter, 1924 - June 1926.

3/ Not available.

## Slaughter and market supplies of cattle and calves, specified periods

Item	Unit	Aug. average 1924-33	Aug. 1936	June 1937	July 1937	Aug. 1937
Inspected slaughter <u>1/</u>	:	:	:	:	:	:
Cattle .....	thousands:	759	1,012	840	790	880
Calves .....	"	379	541	579	520	538
Beef steers sold out of first hands:	:	:	:	:	:	:
Choice and Prime .....	"	21	32	19	22	19
Good .....	"	53	44	42	20	23
Medium .....	"	26	9	7	6	8
Common .....	"	5	6	4	3	4
All grades <u>2/</u> .....	"	105	91	73	51	54
Receipts of cattle at seven markets <u>3/</u> .....	"	<u>4/</u> 740	920	609	533	838
	:	July average 1924-33	July 1936	May 1937	June 1937	July 1937
Inspected slaughter:	:	:	:	:	:	:
Cows and heifers .....	thousands:	314	428	356	426	445
Steers .....	"	394	455	355	376	309
Average live weight:	:	:	:	:	:	:
Cattle .....	pound	947	937	899	900	894
Calves .....	"	185	189	173	180	190
Average dressed weight:	:	:	:	:	:	:
Cattle .....	"	518	502	481	475	465
Calves .....	"	105	106	100	104	108
Total dressed weight:	:	:	:	:	:	:
Cattle .....	mil.lb.	380	463	356	397	365
Calves .....	" "	40	55	56	60	56
Stocker and feeder shipments:	:	:	:	:	:	:
from public stockyards <u>5/</u> :	:	:	:	:	:	:
Cattle .....	thousands:	148	210	197	185	190
Calves .....	"	13	30	42	32	33
Imports:	:	:	:	:	:	:
Cattle <u>6/</u> .....	"	15	34	70	43	45
Canned beef <u>7/</u> .....	1,000 lb.:	<u>8/</u> 2,815	7,504	8,028	12,461	10,323

1/ Bureau of Animal Industry.2/ Totals of unrounded numbers.3/ Chicago, Kansas, City, Omaha, East St. Louis, St. Joseph, Sioux City, and St. Paul.4/ Average 1929-33.5/ Approximately 62 public stockyards prior to 1936, when the number was increased to 69.6/ United States Department of Commerce.

General imports prior to 1934, beginning January 1, 1934, imports for consumption.

7/ United States Department of Commerce and United States Tariff Commission. Imports for consumption.8/ Figures include "other canned meats", prior to 1929.

